



# **Texas Department of Transportation**®

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January 31, 2014

Department of the Treasury  
Office of the Comptroller of the Currency  
400 7<sup>th</sup> Street SW, Suite 3E-218, Mail Stop 9W-11  
Washington, DC 20219  
Attn: Legislative and Regulatory Activities Division  
Docket ID OCC-2013-0016

Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue NW  
Washington, DC 20551  
Attn: Robert deV. Frierson, Secretary  
Docket No. R-1466

Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429  
Attn: Comments / Legal ESS  
Robert E. Feldman, Executive Secretary  
RIN No. 3064-AE04

**RE:** OCC Docket ID OCC-2013-0016 "Liquidity Coverage Ratio: Liquidity Risk Measurement, Standards, and Monitoring"

Ladies and Gentlemen:

I am writing on behalf of the Texas Transportation Commission (the "Commission"), the governing body of the Texas Department of Transportation ("TxDOT"), an agency of the State of Texas, and one of the largest issuers of municipal bonds in the State of Texas, to comment on the proposed rules of the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation (collectively, the Agencies) that would implement a quantitative liquidity requirement consistent with the liquidity coverage ratio ("LCR") established by the Basel Committee on Banking Supervision applicable to certain banking organizations (the "Proposed Rule").

OUR GOALS

MAINTAIN A SAFE SYSTEM • ADDRESS CONGESTION • CONNECT TEXAS COMMUNITIES • BEST IN CLASS STATE AGENCY

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The Commission and TxDOT commend the efforts of the Agencies to enhance liquidity and risk management in the banking sector; however, we respectfully disagree with the Agencies' elimination of municipal bonds as high quality liquid assets ("HQLA") which will no longer allow the use of municipals, such as bonds issued by states and their agencies, to satisfy the LCR. The preamble to the Proposed Rule notes that HQLA "tend to have active outright sale or repurchase markets at all times with significant diversity in market participants as well as high volume." Based upon the Commission's experience with the municipal market, we believe that investment grade rated obligations issued by states and their agencies meet the Agencies' liquidity criteria of being low risk with limited price volatility and traded in a long established and high volume market.

The Commission currently has over \$13 billion principal amount of municipal bonds outstanding from various financing programs including obligations that are payable from a general obligation pledge of the State of Texas. Current credit ratings on the Commission's financing programs vary from "BBB+" (for toll road financings) to "AAA" (for financings secured by and payable from a general obligation pledge of the State of Texas and certain dedicated funds of TxDOT). Accessing the municipal market assists the Commission and TxDOT in financing projects that fulfill our responsibility to develop and maintain a statewide multimodal transportation network and administer federal funds for highway construction and maintenance in a cost effective manner for the citizens of the State.

The Commission is a frequent issuer in the municipal market which is well established, works very efficiently and has substantial liquidity with investment grade rated obligations traded in high volumes. Indeed, the Commission's experience in the municipal market is not unlike other Texas state agencies in that the Commission's outstanding municipal bonds are readily marketable in primary market offerings, there is an active secondary trading market for our bonds and a broad and diverse range of investors.

There is transparent pricing in the municipal market with real-time trade reporting and dissemination. Trade pricing and complete trade history for municipal issuers is available from the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System (EMMA). Municipal issuer disclosure documents are also required to be filed with, and are readily available through, EMMA to provide secondary market investors updated financial and operating information. There are also a number of available benchmarks for easily determining the pricing of municipals such as the Thomson Municipal Market Data (MMD) which has provided benchmark data and technical/fundamental analysis of the municipal market since 1981.

The fact that under the Proposed Rule "BBB-" rated corporate bonds and obligations of foreign sovereign states would be considered liquid assets while a "AAA" rated general obligation bond of the State of Texas would not be considered a liquid asset is inconsistent. Based upon

our experience in the municipal market, investment grade rated bonds of states and their agencies are liquid, readily marketable, easily and readily valued and generally low risk based on the low default rates of municipals and should be designated as HQLA.

We appreciate the opportunity to comment on the Proposed Rule. Please contact us if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "James M. Bass". The signature is fluid and cursive, with the first name "James" and last name "Bass" being more legible than the middle initial "M".

James M. Bass  
Chief Financial Officer